

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7300**

**BILL NUMBER: HB 1521**

**NOTE PREPARED: Jan 21, 2015**

**BILL AMENDED:**

**SUBJECT:** Community Development Area.

**FIRST AUTHOR:** Rep. Heaton

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides that a city or town may establish a special taxing district known as a community development area. It provides for the capture of sales taxes collected by taxpayers operating in a community development area. The bill also provides that the tax revenue captured by a community development area must be used to pay for capital improvements in the community development area. It provides that a community development area expires 30 years after the community development area is established.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *State Budget Committee & State Budget Agency (SBA):* The State Budget Committee must meet no later than 60 days after receipt of a resolution from the legislative body of a municipality and must make a recommendation on the resolution to the SBA. The State Budget Committee and SBA should be able to complete the bill's requirements within their current level of resources.

*Department of State Revenue (DOR):* The bill establishes that the DOR may adopt rules and guidelines to govern the allocation of state gross retail taxes to a community development area. The DOR must additionally administer community development area funds. The DOR should be able to complete the bill's requirements within its current resources.

**Explanation of State Revenues:** *Summary:* The bill allows a city or town to establish a community development area and capture incremental sales tax within the area. The bill could potentially divert an indeterminate amount of sales tax revenue from the state General Fund and other funds to city and towns that establish community development areas. The number of community development areas that may be

established and the amount of state sales tax that might be captured by these areas is unknown. However, sales tax capture by community revitalization enhancement districts (CREDS) could provide an indication of the potential sales tax capture by a community development area. The average sales tax capture by CREDS in FY 2012 was about \$205,841 and in FY 2013 about \$223,000.

The net revenue impact of diverting sales tax revenue from the state General Fund and other funds receiving sales tax revenue depends on the extent to which revenue from other taxes attributable to investment in the community development area is impacted. However, if the investment would have occurred in the absence of the community development area, the state incurs a revenue loss equal to the total amount of sales tax collections diverted to the community development area fund.

**Explanation of Local Expenditures:** The bill provides that the legislative body of a municipality may establish a community development area. A resolution to establish the area must provide for the allocation of state gross retail taxes from the community development area fund; specify the uses of the tax revenue; provide that any bonds issued to finance a facility may not exceed 25 years, including refinancing; and provides that a community development area expires 30 years after the adoption of its resolution.

The fiscal officer of the municipality must notify the DOR by certified mail of the adoption of a provision to allocate revenues from the community development area. Each municipality should be able to complete the bill's requirements within its current resources.

**Explanation of Local Revenues:** All amounts held in a community development area fund must be distributed to the fiscal officer of the appropriate municipality. As the legislative body of a municipality may designate any of five types of facilities as part of a community development area as established by the bill, revenue to each municipality may increase by an indeterminate amount.

**State Agencies Affected:** State Budget Committee; State Budget Agency; Department of State Revenue; Auditor of State; Treasurer of State.

**Local Agencies Affected:** Municipalities.

**Information Sources:** OFMA Fiscal Issue Brief, *Indiana's Geographically Targeted Development Programs: Community Revitalization Enhancement District*, October 2014, <http://iga.in.gov/documents/c090027a>.

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